

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM[495]

Notice of Intended Action

Proposing rule making related to five-year review of rules and providing an opportunity for public comment

The Iowa Public Employees' Retirement System (IPERS) hereby proposes to amend Chapter 4, "Employers," Chapter 6, "Covered Wages," Chapter 7, "Service Credit and Vesting Status," Chapter 8, "Service Purchases," Chapter 9, "Refunds," Chapter 11, "Application for, Modification of, and Termination of Benefits," Chapter 12, "Calculation of Monthly Retirement Benefits," Chapter 14, "Death Benefits and Beneficiaries," and Chapter 16, "Domestic Relations Orders and Other Assignments," Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is proposed under the authority provided in Iowa Code sections 97B.4 and 97B.15.

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code chapter 97B.

Purpose and Summary

This proposed rule making is intended to conform rules with other rules and statutes or rescind rules that are outdated, redundant or inconsistent, or no longer in effect to meet the requirements of the statutory five-year review of rules for Chapters 6 to 10; to implement contribution rates for employers and regular and special service members beginning July 1, 2019; to simplify and update language in rules pertaining to sick and compensatory time; to emphasize that bona fide refunds require a member to remain out of IPERS-covered employment for 30 days and simplify language concerning restoring a member's account; to clarify vesting status post-June 30, 2012, for special service and regular service members; to rescind and replace language in subrule 8.1(1) to update and amend current rules covering service purchases to conform with current law and practice; to align Internal Revenue Code (IRC) Section 415 testing compliance language with actual practice and Internal Revenue Service (IRS) regulation of all service purchases; to emphasize that service credit purchases are available for leaves of absence only if previously approved by the employer; to clarify that members have 60 days from the date of IPERS' acceptance of a service purchase to revoke the purchase; to clearly define that periods during which a member was self-employed or worked as an independent contractor are not periods that can be used to make a service purchase; to stress the seriousness of the member's notarized statement regarding efforts to locate the member's spouse for the spouse's written acknowledgment by changing "indicating" to "affirming"; to combine subrules 9.4(2) and 9.4(3) to increase clarity regarding the determination of a member's last day of employment and use of an electronic funds transfer related to refunds; and to document current policy regarding payment of a named beneficiary's share to the other named beneficiaries in the event they predecease the member. Also, this rule making is intended to provide for corrections of overpayments and underpayments of contributions and benefits caused by the misreporting of covered wages; to eliminate successor alternate payee (SAP) language from qualified domestic relations orders; and to improve the alternate payee benefit process while retaining a member's rights and securing alternate payee benefits.

Fiscal Impact

Contribution rate changes for all three member classes of IPERS employees (regular member, sheriffs and deputy sheriffs, and protection occupation) are reflected. No fiscal impact has been found for regular

class members. A decreased fiscal impact has been found for sheriffs and deputy sheriffs. A decreased fiscal impact has been found for the protection occupation class.

Jobs Impact

After analysis and review of this rule making, no impact on jobs has been found.

Waivers

There are no discretionary rules in this filing. IPERS is following nondiscretionary statutes and rules adopted by the federal and state governments.

Public Comment

Any interested person may submit written comments concerning this proposed rule making. Written comments in response to this rule making must be received by IPERS no later than 4:30 p.m. on February 5, 2019. Comments should be directed to:

Gregg Schochenmaier
Iowa Public Employees' Retirement System
7401 Register Drive
Des Moines, Iowa 50321
Phone: 515.281.0054
Email: gsch@ipers.org

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

February 5, 2019
9 to 10 a.m.

IPERS
7401 Register Drive
Des Moines, Iowa

Persons who wish to make oral comments at the public hearing may be asked to state their names for the record and to confine their remarks to the subject of this proposed rule making.

Any persons who intend to attend the public hearing and have special requirements, such as those related to hearing or mobility impairments, should contact IPERS and advise of specific needs.

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rule-making actions are proposed:

ITEM 1. Amend subrule 4.6(1) as follows:

4.6(1) Contribution rates for regular class members.

a. No change.

b. Effective July 1, 2012, and every year thereafter, the contribution rates for regular members shall be publicly declared by IPERS staff no later than the preceding December as determined by the annual valuation of the preceding fiscal year. The public declaration of contribution rates will be followed by rule making that will include a notice and comment period and that will become effective July 1 of the next fiscal year. Contribution rates for regular members are as follows.

	Effective July 1, 2014	Effective July 1, 2015	Effective July 1, 2016	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019
Combined rate	14.88%	14.88%	14.88%	14.88%	15.73%	<u>15.73%</u>
Employer	8.93%	8.93%	8.93%	8.93%	9.44%	<u>9.44%</u>
Employee	5.95%	5.95%	5.95%	5.95%	6.29%	<u>6.29%</u>

ITEM 2. Amend subrule 4.6(2) as follows:

4.6(2) Contribution rates for sheriffs and deputy sheriffs are as follows.

	Effective July 1, 2014	Effective July 1, 2015	Effective July 1, 2016	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019
Combined rate	19.76%	19.76%	19.26%	18.76%	19.52%	<u>19.02%</u>
Employer	9.88%	9.88%	9.63%	9.38%	9.76%	<u>9.51%</u>
Employee	9.88%	9.88%	9.63%	9.38%	9.76%	<u>9.51%</u>

ITEM 3. Amend subrule 4.6(3) as follows:

4.6(3) Contribution rates for protection occupations are as follows.

	Effective July 1, 2014	Effective July 1, 2015	Effective July 1, 2016	Effective July 1, 2017	Effective July 1, 2018	Effective July 1, 2019
Combined rate	16.90%	16.40%	16.40%	16.40%	17.02%	<u>16.52%</u>
Employer	10.14%	9.84%	9.84%	9.84%	10.21%	<u>9.91%</u>
Employee	6.76%	6.56%	6.56%	6.56%	6.81%	<u>6.61%</u>

ITEM 4. Amend subrule 6.3(2) as follows:

6.3(2) *Sick pay.* Sick pay means ~~payments made for sick leave which are a continuation of salary~~ payments the amount paid to an employee during a period of sick leave.

ITEM 5. Amend subrule 6.3(4) as follows:

6.3(4) *Compensatory time.* Wages include amounts paid for compensatory time taken in lieu of regular work hours or when paid as a lump sum. However, compensatory time paid in a lump sum shall not exceed 240 hours per employee per year or any lesser number of hours set by the employer. Each employer shall determine whether to use the calendar year or a fiscal year other than the calendar year when setting its compensatory time policy. The wages reported to IPERS must reflect the employer's policy.

ITEM 6. Amend subrule 6.4(2) as follows:

6.4(2) One quarter of service will be credited for each quarter in which a member is paid IPERS-covered wages.

a. "Covered wages" means wages of a member during periods of service that do not exceed the annual covered wage maximum as permitted for a given year under Sections 401(a)(17)(A) and (B) of the Internal Revenue Code, which are incorporated herein by this reference.

b. ~~Effective January 1, 1988, covered wages shall include wages paid a member regardless of age. (From July 1, 1978, until January 1, 1988, covered wages did not include wages paid a member on or after the first day of the month in which the member reached the age of 70.)~~

c. b. If a member is employed by more than one employer during the calendar year, the total amount of wages paid by all covered employers shall be included in determining the annual covered wage limit established under Sections 401(a)(17)(A) and (B) of the Internal Revenue Code. If the amount of wages paid to a member by several employers during any given month exceeds the covered wage limit as determined for that calendar year, the amount of the excess shall not be subject to contributions required by Iowa Code section 97B.11. IPERS shall not accept excess wages and applicable contributions from employers and shall return excess contributions as provided in 495—subrule 4.3(8).

ITEM 7. Rescind subrule **6.5(7)**.

ITEM 8. Rescind subrule **6.5(8)**.

ITEM 9. Adopt the following new rule 495—6.6(97B):

495—6.6(97B) Corrections of overpayments and underpayments of contributions and benefits caused by misreporting of covered wages. IPERS shall use the following guidelines in requiring corrections of overpayments and underpayments of contributions caused by misreported wages or IPERS-covered service. Corrections must be made for all current employees omitted in error, active, retired, and inactive members, subject to the following limitations:

6.6(1) If employer and employee contributions were underreported, wage adjustments shall be filed and employers shall be billed for all shortages of employer and employee contributions plus interest. Employers shall be entitled to collect reimbursement for the employee share of contributions as provided in Iowa Code section 97B.9. If retirement benefits have been underpaid as a result of the error, IPERS shall, upon receipt of the contribution shortage, make the appropriate adjustments and pay all back benefits.

6.6(2) If employer and employee contributions were overreported, wage adjustments shall be filed and the appropriate contribution amounts shall be credited to employers for distribution to the respective employee and employer contributors. If the reporting error caused an overpayment of retirement benefits, IPERS may offset excess contributions received against overpayments and shall request a repayment of the remainder of the overpayment, if any, from the recipient.

Wage adjustments, overpayments and underpayments, and unintentional reporting errors shall be determined as of the onset of the error. Notwithstanding the foregoing adjustment and collection standards, IPERS reserves the right to negotiate adjustments with individual employers in special situations, and no negotiated settlement with an employer shall be deemed to constitute a waiver of this rule or a binding precedent for other employers.

ITEM 10. Amend paragraph **7.1(1)“c”** as follows:

c. Notwithstanding paragraph **7.1(1) “b”** above, a member who is on an unpaid leave of absence and who during the period covered by the unpaid leave performs services for the covered employer granting the unpaid leave shall not receive service credit for such services until the employer has reported \$1,000 in each of two consecutive quarters included in the unpaid leave period, and such service credit shall be granted only with respect to quarters beginning after said two consecutive quarters.

ITEM 11. Rescind rule **495—7.2(97B)**.

ITEM 12. Renumber rule **495—7.3(97B)** as **495—7.2(97B)**.

ITEM 13. Amend renumbered rule 495—7.2(97B) as follows:

495—7.2(97B) Vesting status.

7.2(1) to 7.2(4) No change.

7.2(5) *Vesting at age 55 prior to July 1, 2012.* IPERS shall interpret Iowa Code section 97B.1A(25) “a”(3), ~~as enacted in 2010 Iowa Acts, House File 2518, section 21,~~ as follows: for periods prior to July 1, 2012, the phrase “has attained the age of fifty-five or greater while in covered employment” means “has attained the age of fifty-five or greater while an active member, as defined in Iowa Code section 97B.1A(3)”.

7.2(6) *Vesting after June 30, 2012.* For periods after June 30, 2012, the member becomes vested if the member meets one of the following requirements:

a. For a member in a special service, has attained the age of 55 or greater while in covered employment.

b. For a member in regular service, has attained the age of 65 or greater while in covered employment.

The phrase “covered employment” means “active member” as defined by Iowa Code section 97B.1A(3).

ITEM 14. Rescind subrule 8.1(1) and adopt the following **new** subrule in lieu thereof:

8.1(1) *Estimates and cost quotes.* All service purchase estimates and cost quotes shall be calculated at actuarial cost. The following procedures and calculations shall apply:

a. Service purchase estimate prior to retirement. Members who are vested by service may request a service purchase estimate by completing and submitting a service purchase application. Once the application is submitted, IPERS shall complete a cost estimate. This calculation is an estimate only and is not considered binding. The cost estimate shall be calculated as follows:

(1) IPERS will calculate the actuarial cost by capturing the projected baseline benefit attributes at the member's anticipated retirement date without any service purchase quarterly credits including: average salary, years of service, the Option 2 benefit amount, accumulated member contributions and the calculated present-day reserve value. The present-day reserve value is a lump sum value calculated with actuarial tables provided by the system's actuary which represents the lump sum value sufficient to pay the monthly benefits over the member's expected life span.

(2) With each potential purchasable quarterly service credit, IPERS will recalculate the Option 2 benefit amount. A new present-day reserve value will also be calculated. The cost of each quarterly service credit will be the difference between the new reserve amount and the previous one.

b. Final service purchase cost quote at retirement. On or before the date that a member's first benefit payment is issued, a member who is vested by service may request a final service purchase cost quote by completing and submitting an application for retirement/disability benefit indicating the member's desire to receive a final service purchase cost quote. After the completed application has been submitted, IPERS shall generate a final service purchase cost quote once all of the member's wages are submitted to IPERS, which may be after the member's first month of entitlement. The final cost quote shall be calculated as follows:

(1) IPERS will calculate the cost by capturing the baseline benefit attributes at the member's first month of entitlement without any service purchase quarterly credits including: average salary, years of service, the Option 2 benefit amount, accumulated member contributions and the calculated present-day reserve value. The present-day reserve value is a lump sum value calculated with actuarial tables provided by the system's actuary which represents the lump sum value sufficient to pay the monthly benefits over the member's expected life span. With each potential purchasable service credit, IPERS will recalculate the Option 2 benefit amount. A new present-day reserve value will also be calculated. The cost of each purchasable quarter of service credit will be the difference between the new reserve amount and the previous one.

(2) The retired member will have six months from the date in which IPERS generates the final service purchase cost quote to purchase additional service.

(3) If the retired member purchases service within the six-month deadline, the increase in the retirement benefit shall be made effective with the month of the service purchase payment.

(4) Retired members who do not indicate their desire for a final service purchase cost quote on or before the date their first payment is issued or do not complete the purchase within the six-month deadline indicated on the final service purchase cost quote shall not be eligible to purchase additional credit.

(5) Retired members who selected Option 1 upon retirement may request the lump sum death benefit to be increased to take into account the additional contributions from making a service purchase. If the member requests an increase in the death benefit, the monthly benefit will be reduced to take into account the increased death benefit.

c. Cost adjustments due to changes in the original retirement benefit. If an error in the service purchase cost is discovered or a retired member's account is adjusted in any manner after a purchase is made, IPERS may rescind the service purchase, make adjustments to the service purchase cost, or adjust the retirement allowance to ensure the member paid the actuarial cost of buying additional service. In the event that a retired member overpays due to an adjustment, IPERS will issue a refund to the retired member directly or to the rollover institution.

ITEM 15. Amend subrule 8.1(2) as follows:

8.1(2) *Service credit for other public employment.*

~~a. Effective July 1, 1992, a vested or retired~~ A member may make application to IPERS for purchasing credit for service rendered to another public employer. In order to be eligible, a member must:

(1) Have been a public employee in a position comparable to an IPERS covered position at the time the application for buy-in is processed. Effective July 1, 1990, "public employee" includes a member who had service as a public employee in another state, or for the federal government, or within other retirement systems established in the state of Iowa; and

(2) Submit verification of service for that other public employer to IPERS.

A quarter of credit may be purchased for each quarter the employee received wages.

~~b. Effective July 1, 1992, through June 30, 1999, a qualifying member who decides to purchase IPERS credit must make employer and employee contributions to IPERS for each calendar quarter of service allowed in this buy-in. This contribution shall be determined using the member's IPERS covered wages for the most recent full calendar year of IPERS coverage, the applicable rates established in Iowa Code sections 97B.11, 97B.49B and 97B.49C, and multiplied by the number of quarters being purchased from other public employment. "Applicable rates" means the rates in effect at the time of purchase for the types of service being purchased. A member must have at least four quarters of reported wages in any calendar year before a buy-in cost may be calculated.~~

~~c. Effective July 1, 1992, through June 30, 1999, if a vested or retired member does not have wages in the most recent calendar year, the cost of the buy-in will be calculated using the member's last calendar year of reported wages, adjusted by an inflation factor based on the Consumer Price Index as published by the United States Department of Labor.~~

~~d. b. Members eligible to complete the buy-in may buy the entire period of service for a public employer or may buy credit in increments of one or more calendar quarters. The quarters need not be specifically identified to particular calendar quarters. A period of service is defined as follows: (1) if a member was continuously employed by an employer, the entire time is one period of employment, regardless of whether a portion or all of the service was covered by one or more retirement systems; and (2) if a member is continuously employed by multiple employers within a single retirement system, the entire service credited by that retirement system is one period of employment. A member with service credit under another public employee retirement system who wishes to transfer only a portion of the service value of the member's public service in another public system to IPERS must provide a waiver of that service time to IPERS together with proof that the other public system has accepted this waiver and allowed partial withdrawal of service credit. Members are allowed to purchase time credited by the other public employer as a leave of absence in the same manner as other service credit. However, members wishing to receive free credit for military service performed while in the employ of a qualifying non-IPERS covered public employer must purchase the entire period of service encompassing the service time for that public employer or in the other retirement system, excluding the military time. Veterans' credit originally purchased in another retirement system may be purchased in the same manner as other service credit.~~

~~e. The total amount paid will be added to the member's contributions, and the years of service this amount represents will be added to the member's IPERS years of service. Effective January 1, 1993, the purchase will not affect the member's three-year average covered wage.~~

~~f. Effective July 1, 1999, an eligible member must pay the actuarial cost of a buy-in, as certified by IPERS. In calculating the actuarial cost of a buy-in, IPERS shall apply the same actuarial assumptions and cost methods used in preparing IPERS' annual actuarial valuation, except that: (1) the retirement assumption shall be changed to 100 percent at the member's earliest unreduced retirement age; and (2) if gender-distinct mortality assumptions are used in the annual actuarial valuation, the system shall use blended mortality assumptions reasonably representative of the system's experience. The actuarial cost of a service purchase shall be the difference between (1) the actuarial accrued liability for the member using the foregoing assumptions and current service credits, and (2) the actuarial accrued liability for the member using the foregoing assumptions, current service credits, and all quarters of service credit available for purchase. If IPERS changes the service purchase mortality assumptions, all outstanding service purchase quotes shall be binding for the remainder of the periods for which the cost quotes were~~

issued. A cost quote for a service purchase shall expire six months after the date printed on the cost quote letter. After that time, a new cost quote must be obtained for any quarters not previously purchased.

~~g. — Effective January 1, 2016, for new service purchase applications and updated cost requests received, the following procedures and calculations shall apply:~~

~~(1) — Service purchase estimate prior to retirement. Members who are vested by service may request a service purchase estimate by completing and submitting a service purchase application. Once the application is submitted, IPERS shall complete a cost estimate. This calculation is an estimate only and is not considered binding. The cost estimate shall be calculated as follows:~~

~~1. — IPERS will calculate the cost by capturing the baseline benefit attributes at the member's anticipated retirement date without any service purchase quarterly credits including: average salary, years of service, the Option 2 benefit amount, current member investment amount and the calculated present-day reserve value. The present-day reserve value is a lump sum value calculated with actuarial tables provided by the system's actuary which represents the lump sum value sufficient to pay the monthly benefits over the member's expected life span.~~

~~2. — With each potential purchasable quarterly service credit, IPERS will recalculate the Option 2 benefit amount. A new present-day reserve value will also be calculated. The cost of each quarterly service credit will be the difference between the new reserve amount and the previous one.~~

~~(2) — Final service purchase cost quote at retirement. On or before the date that a member's first benefit payment is issued, a member who is vested by service may request a final service purchase cost quote by completing and submitting an application for retirement/disability benefit indicating the member's desire to receive a final service purchase cost quote. After the completed application has been submitted, IPERS shall generate a final service purchase cost quote once all of the member's wages are submitted to IPERS, which may be after the member's first month of entitlement. The final cost quote shall be calculated as follows:~~

~~1. — IPERS will calculate the cost by capturing the baseline benefit attributes at the member's first month of entitlement without any service purchase quarterly credits including: average salary, years of service, the Option 2 benefit amount, current member investment amount and the calculated present-day reserve value. The present-day reserve value is a lump sum value calculated with actuarial tables provided by the system's actuary which represents the lump sum value sufficient to pay the monthly benefits over the member's expected life span. With each potential purchasable service credit, IPERS will recalculate the Option 2 benefit amount. A new present-day reserve value will also be calculated. The cost of each purchasable quarter of service credit will be the difference between the new reserve amount and the previous one.~~

~~2. — The retired member will have six months from the date in which IPERS generates the final service purchase cost quote to purchase additional service.~~

~~3. — If the retired member purchases service within the six-month deadline, the increase in the retirement benefit shall be made effective with the month of the service purchase payment.~~

~~4. — Retired members who do not indicate their desire for a final service purchase cost quote on or before the date their first payment is issued or do not complete the purchase within the six-month deadline indicated on the final service purchase cost quote shall not be eligible to purchase additional credit.~~

~~5. — Retired members who selected Option 1 upon retirement may request the lump sum death benefit to be increased to take into account the additional contributions from making a service purchase. If the member requests an increase in the death benefit, the monthly benefit will be reduced to take into account the increased death benefit.~~

~~(3) — Cost adjustments due to changes in the original retirement benefit. If an error in the service purchase cost is discovered or a retired member's account is adjusted in any manner after a purchase is made, IPERS may rescind the service purchase, make adjustments to the service purchase cost, or adjust the retirement allowance to ensure the member paid the actuarial cost of buying additional service. In~~

the event that a retired member overpays due to an adjustment, IPERS will issue a refund to the retired member directly or to the rollover institution.

ITEM 16. Amend subrule 8.1(3) as follows:

8.1(3) IPERS buy-back. ~~Effective July 1, 1996, only vested or retired members~~ Members may buy back previously refunded IPERS service credit under the methodology of subrule 8.1(1). ~~For the period beginning July 1, 1996, and ending June 30, 1999, an eligible member is required to make membership contributions equal to the accumulated contributions received by the member for the period of service being purchased plus accumulated interest and interest dividends. Effective July 1, 1999, an eligible member must pay the actuarial cost of a buy-back, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions and cost methods used in preparing IPERS' annual actuarial valuation, except that: (1) the retirement assumption shall be changed to 100 percent at the member's earliest unreduced retirement age; and (2) if gender-distinct mortality assumptions are used in the annual actuarial valuation, the system shall use blended mortality assumptions reasonably representative of the system's experience. The actuarial cost of a service purchase shall be the difference between (1) the actuarial accrued liability for the member using the foregoing assumptions and current service credits, and (2) the actuarial accrued liability for the member using the foregoing assumptions, current service credits, and all quarters of service credit available for purchase. If IPERS changes the service purchase mortality assumptions, all outstanding service purchase quotes shall be binding for the remainder of the periods for which the cost quotes were issued. A cost quote for a service purchase shall expire six months after the date printed on the cost quote letter. After that time, a new cost quote must be obtained for any quarters not previously purchased.~~

~~Effective July 1, 1996, buy-backs may be made in increments of one or more calendar quarters. Prior to July 1, 1996, the member was required to repurchase the entire period of service and repay the total amount received plus accumulated interest and interest dividends.~~

~~A member who is vested solely by having attained the age of 55 must have at least one calendar quarter of wages on file with IPERS before completing a buy-back.~~

~~For persons who submitted requests for buy-back cost quotes on or before January 14, 2004, IPERS shall restore the wage records of a member who makes a buy-back based on those quotes and utilize those wage records in subsequent benefit calculations for that member.~~

~~For persons who submit requests for buy-back cost quotes and make purchases based on those quotes after January 14, 2004, IPERS shall not restore the wage records for the purchased quarters. After January 14, 2004, such buy-backs shall be treated like all other service purchases and IPERS will only restore service credit.~~

~~Effective January 1, 2016, the member must be vested by service and must pay the actuarial cost of a service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions, procedures and cost methods as those described in paragraph 8.1(2) "g."~~

ITEM 17. Rescind subrule **8.1(4)**.

ITEM 18. Renumber subrules **8.1(5)** and **8.1(6)** as **8.1(4)** and **8.1(5)**.

ITEM 19. Amend renumbered subrule 8.1(4) as follows:

8.1(4) Veterans' credit.

~~a. Effective July 1, 1992, a vested or retired A member, in order to receive service credit under the IPERS system, may elect to make employer and employee contributions to IPERS may make a service credit purchase for a period of active duty service in the armed forces of the United States, in increments of one or more calendar quarters, if the member produces verification of active duty service in the armed forces of the United States.~~

~~b. A member must have at least four quarters of reported wages in any calendar year before a buy-in cost may be calculated.~~

~~c. A service purchase shall not affect the member's high three-year average wage.~~

~~d. Effective July 1, 1999, an eligible member must pay the actuarial cost of a military service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions and cost methods as those in paragraph 8.1(2) "f."~~

~~e. Effective January 1, 2016, the member must be vested by service and must pay the actuarial cost of a service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions, procedures and cost methods as those described in paragraph 8.1(2) "g."~~

ITEM 20. Amend renumbered subrule 8.1(5) as follows:

8.1(5) Legislative members.

a. *Active members.* Persons who are members of the Seventy-first General Assembly or a succeeding general assembly during any period beginning July 4, 1953, may, upon proof of such membership in the general assembly, make contributions to the system for all or a portion of the period of such service in the general assembly. ~~The contributions made by the member shall be determined in the same manner as provided in paragraph 8.1(2) "f."~~

b. *Vested or retired former members of the general assembly.*

~~(1) A vested or retired member of the system who was a member of the general assembly prior to July 1, 1988, may make contributions to the system for all or a portion of the period of service in the general assembly.~~

~~(2) The contributions made by the member shall be equal to the accumulated contributions as defined in Iowa Code section 97B.1A(2), which would have been made if the member of the general assembly had been a member of the system during the period of service in the general assembly being purchased.~~

~~(3) (1) The member shall submit to IPERS proof of membership in the general assembly for the period claimed.~~

~~(4) (2) Upon determining a member eligible and receiving the appropriate contributions from the member, IPERS shall credit the member with the period of membership service for which contributions are made.~~

~~c. *Incremental purchases.* Service purchased under this subrule must be purchased in increments of one or more calendar quarters.~~

~~d. *Actuarial cost.* Effective July 1, 1999, an eligible member must pay 40 percent and the Iowa legislature shall pay 60 percent of the actuarial cost of a legislative service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions and cost methods as those in paragraph 8.1(2) "f."~~

~~e. c. *Actuarial cost.* Effective January 1, 2016, the member must be vested by service and must pay 40 percent and the Iowa legislature shall pay 60 percent of the actuarial cost of a service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions, procedures and cost methods as those described in paragraph 8.1(2) "g."~~ subrule 8.1(1).

ITEM 21. Rescind subrule **8.1(7)**.

ITEM 22. Renumber subrules **8.1(8)** to **8.1(10)** as **8.1(6)** to **8.1(8)**.

ITEM 23. Amend renumbered subrule 8.1(6) as follows:

8.1(6) *Leaves Employer-approved leaves of absence.* Service credit for employer-approved leaves of absence that begin on or after July 1, 1998, may be purchased. ~~A member must be vested or retired and must have one calendar year of wages on file in order to make such a purchase.~~

~~For a leave of absence beginning on or after July 1, 1998, and purchased before July 1, 1999, the service purchase cost shall be equal to the employer and employee contributions and interest payable for the employee's most recent year of covered wages, adjusted by the inflation factor used in paragraph 8.1(2) "c."~~ For a leave of absence beginning on or after July 1, 1998, and purchased on or after July 1, 1999, the service purchase cost shall be the actuarial cost, as certified by IPERS. In calculating the actuarial cost of a service purchase under this subrule, IPERS shall apply the same actuarial assumptions and cost methods as those in paragraph 8.1(2) "f."

~~Effective January 1, 2016, the member must be vested by service and must pay the actuarial cost of a service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions, procedures and cost methods as those described in paragraph 8.1(2) “g.”~~

ITEM 24. Amend renumbered subrule 8.1(7) as follows:

8.1(7) Service credit for elective coverage positions—coverage not elected. Service credit for periods of time prior to January 1, 1999, when the member was employed in a position for which coverage could have been elected, but was not, may be purchased. ~~The cost of such service purchases shall be calculated in the same manner as provided for buy-ins under paragraph 8.1(2) “f.”~~ In addition, a member must be vested or retired, and must have one calendar year of wages on file in order to make such a purchase.

~~Effective January 1, 2016, the member must be vested by service and must pay the actuarial cost of a service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions, procedures and cost methods as those described in paragraph 8.1(2) “g.”~~

ITEM 25. Amend renumbered subrule 8.1(8) as follows:

8.1(8) Service credit for noncovered public employment in Iowa. A ~~vested or retired~~ member who has one or more years of service credit and who was previously employed in public employment for which optional coverage was not available, such as substitute teaching or other temporary employment, may purchase service credit for such employment subject to the requirements of Iowa Code section 97B.80C. Service credit may not be purchased under this subrule for periods in which the individual was performing services as an independent contractor. ~~The contributions required under this subrule shall be in an amount equal to the actuarial cost of the service purchase as determined under paragraph 8.1(2) “f.”~~

~~Effective January 1, 2016, the member must be vested by service and must pay the actuarial cost of a service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions, procedures and cost methods as those described in paragraph 8.1(2) “g.”~~

ITEM 26. Amend rule 495—8.2(97B) as follows:

495—8.2(97B) Revocation of service purchase application and refund of amounts paid. A member may revoke a service purchase application and receive a refund without interest of all or a portion of amounts paid to IPERS to buy back prior service credit or to purchase credit for other service pursuant to Iowa Code chapter 97B. The revocation must be made in writing and must be made within 60 days after the date of receipt of such amounts by IPERS. Such refunds shall be in increments representing one or more quarters. ~~No refund shall be made if a member has made a service purchase under this chapter and one or more monthly retirement allowance payments have been made thereafter.~~ Furthermore, this rule shall not limit IPERS’ ability to refund service purchase amounts when required in order to meet the provisions of the Internal Revenue Code that apply to IPERS. This rule shall be effective for revocation requests received by IPERS on or after May 3, 1996.

ITEM 27. Amend rule 495—8.3(97B), introductory paragraph, as follows:

495—8.3(97B) IRC Section 415(n) compliance. Service purchases made under this chapter ~~and other posttax contributions, including buy-backs and buy-ups,~~ shall not exceed the defined contribution dollar limit then in effect under Internal Revenue Code Section 415(e) 415(c)(1), per calendar year, as provided under IRC Section 415(n)(2)(B). In addition, the amounts contributed for service purchases under this chapter shall not exceed the amount required to purchase the service according to the current cost schedules. In implementing these and the other requirements of IRC Section 415(n), IPERS shall use the following procedures.

ITEM 28. Amend subrule 8.3(4) as follows:

8.3(4) The limitations of this rule shall ~~not~~ apply to buy-backs of prior refunds. In addition, the annual limit under this rule shall not apply to service purchases grandfathered under the provisions of the Iowa Code and Section 1526 of the Taxpayer Relief Act of 1997.

ITEM 29. Rescind subrule **8.3(6)**.

ITEM 30. Renumber subrules **8.3(7)** and **8.3(8)** as **8.3(6)** and **8.3(7)**.

ITEM 31. Amend renumbered subrule 8.3(6) as follows:

8.3(6) The IRC Section 415(c) limitations shall not apply to a service purchase that qualifies as a direct rollover ~~for from~~ an eligible retirement plan or a direct transfer from a plan qualified under IRC Section 403(b) or 457. ~~The IRC Section 415(c) limits also shall not apply to a service purchase under subrule 8.1(3).~~

ITEM 32. Rescind and reserve rule ~~495—~~**8.4(97B)**.

ITEM 33. Rescind subrule **8.5(1)**.

ITEM 34. Renumber subrules **8.5(2)** to **8.5(4)** as **8.5(1)** to **8.5(3)**.

ITEM 35. Amend renumbered subrule 8.5(1) as follows:

8.5(1) *Additional service purchase procedures.*

a. Service purchase cost quotes for members currently in special service positions shall be prepared as special service credit.

b. Members covered under another retirement plan. Members who wish to buy service credit for employment that is covered by another retirement plan qualified under IRC Section 401, IRC Section 403 or 457 and similar plans and retirement pay from the United States government for active duty in the armed forces (except retirement pay for nonregular service pursuant to 10 U.S.C. Sections 12731-12739) must waive their right to benefits based on the service credit that is being purchased under IPERS. ~~If a waiver is not obtained, however, service purchases for such employment may still be made but shall be limited to 20 quarters.~~

~~*c.*—Members retired under IPERS' disability formula. A retired member receiving IPERS benefits as a result of a disability shall receive a service purchase cost quote which reflects no penalty for early age reduction.~~

d. c. Effective January 1, 2007, IPERS may, notwithstanding certain provisions of Iowa Code section 97B.82 adopted in order to comply with prior rollover provisions of the Internal Revenue Code, utilize forms and procedures permitting direct rollover service purchases to include after-tax amounts as provided under the applicable rollover provisions of the Internal Revenue Code as amended subsequent to the enactment of Iowa Code section 97B.82.

ITEM 36. Amend renumbered subrule 8.5(2) as follows:

8.5(2) *Additional service purchase limitations.*

a. Under no circumstances shall service purchases be allowed for quarters already on file with IPERS as covered quarters.

b. If a member has requested a service purchase cost quote and, before the six-month expiration has passed, submits another request for a service purchase cost quote for the same or different employer, the new service purchase cost quote will be based on a combination of the two service purchase cost quotes. The latest service purchase cost quote shall supersede all prior cost quotes provided to the member for the quarters that the member purchases after the issuance of the second cost quote.

~~*c.*—If before the six-month expiration has passed a member has made a partial purchase under a service purchase cost quote and requests another service purchase cost quote, the quarters covered by the original cost quote will be added to the new request. IPERS will prepare a new service purchase cost quote. The latest service purchase cost quote shall supersede all prior quotes provided to the member for quarters that the member purchases after the issuance of the second cost quote. For example, if the member receives a cost quote of \$300 per quarter for 6 quarters of Illinois public employment and, three months later, after buying 3 Illinois quarters, requests a service purchase cost quote for 8 quarters of military service, the second quote would be prepared using 11 quarters as the basis for the cost quote. The per-quarter cost quote prepared using the 11 quarters would supersede the \$300 per-quarter cost previously quoted. This superseding cost principle will apply regardless of whether the recalculated cost is greater or less than the superseded quote. Thus, in the above example, if the second cost quote is \$350~~

per quarter, that would be the price for all 11 quarters for the next six months. However, if the second quote comes in at \$250 per quarter, that would be the cost for all 11 quarters for the next six months.

~~d. c.~~ Self-employed and independent contractor members. Because of the difficulty in documenting what portion of the amounts paid are actually related to the performance of services, including amounts reported to the federal and state tax authorities, members Members shall not be permitted to purchase service credit for periods of self-employment or as an independent contractor.

ITEM 37. Amend renumbered subrule 8.5(3) as follows:

8.5(3) ~~“Buy-up”~~ Buy-up of service credit through service purchase. Effective July 1, 2008, IPERS members may be allowed to “buy up” service credit. The term “buy up” means to convert regular service credit to special service credit by payment of the actuarial cost pursuant to the requirements of subrule 8.1(1). In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions and cost methods as those in paragraph 8.1(2) “f,” except as modified according to the actuary’s recommendations.

Effective January 1, 2016, the member must be vested by service and must pay the actuarial cost of a service purchase, as certified by IPERS. In calculating the actuarial cost, IPERS shall apply the same actuarial assumptions, procedures and cost methods as those described in paragraph 8.1(2) “g.”

~~a.~~ Active, retired and inactive members. Effective January 1, 2016, a member must have at least one quarter of available or retired special service wages on file and must be vested by years of service at the time of the buy-up.

~~b. a.~~ Mixture of service time. If a member’s service time contains a mixture of regular, protection and sheriff service credit, IPERS shall prepare buy-up cost quotes prior to other service credit purchases and shall process the buy-up as follows:

(1) If the member is currently employed in the sheriff class or retired as a sheriff, the cost quote shall be prepared reflecting a buy-up to sheriff service credit.

(2) If the member is not currently employed in the sheriff class or did not retire as a sheriff, the cost quote shall be prepared reflecting a buy-up to protection occupation service credit.

~~e. b.~~ Wage adjustment after a buy-up. If an employer wage adjustment completely removes a member’s service credit in a buy-up quarter, IPERS shall correct the service credit and perform the necessary recalculations.

~~d. c.~~ IRS limitations. Buy-up service purchases will be aggregated with buy-in and buy-back service purchases during a calendar year and ~~subjected to the applicable limits of~~ shall not exceed the defined contribution dollar limit then in effect under Section 415(c) of the Internal Revenue Code. Amounts that are rolled over from other qualified plans for service purchases are excluded from these limits.

ITEM 38. Amend subrule 9.4(1) as follows:

9.4(1) To obtain a refund, a member must file a refund application form, which is available directly from IPERS or which can be reprinted from IPERS’ ~~Web site~~ website: www.ipers.org. Effective December 31, 2002, refund application forms shall only be available from IPERS. If the member is married, election of a refund under this chapter requires the written acknowledgment of the member’s spouse. However, the system may accept a married member’s election of a refund under this chapter without the written acknowledgment of the member’s spouse if the member submits a notarized statement ~~indicating~~ affirming that, after reasonable diligent efforts, the member has been unable to locate the member’s spouse to obtain the written acknowledgment of the spouse. The member’s election of a refund shall become effective upon filing the necessary forms, including the notarized statement, with the system. The system shall not be liable to the member, the member’s spouse, nor to any other person affected by the member’s election of a refund based upon an election of a refund accomplished without the written acknowledgment of the member’s spouse.

ITEM 39. Amend subrule 9.4(2) as follows:

9.4(2) The last date the member is considered an employee and the date of the last paycheck from which IPERS contributions will be deducted must be certified by the employer on the refund application unless the member has not been paid covered wages for at least one year or the employer has provided the termination date and date of the last paycheck on the monthly wage reports filed with IPERS.

Terminated employees must keep IPERS advised in writing of any change in address so that refunds and tax documents may be delivered. Unless an electronic funds transfer is requested by the member, the refund warrant will be mailed to the member at the address listed on the application for refund.

ITEM 40. Rescind subrule **9.4(3)**.

ITEM 41. Renumber subrules **9.4(4)** to **9.4(6)** as **9.4(3)** to **9.4(5)**.

ITEM 42. Amend renumbered subrule 9.4(4) as follows:

9.4(4) Effective July 1, 2004, an employee must sever all covered employment for 30 days after the date the employee was last considered an employee, ~~and not for 30 days after the date of the last paycheck containing IPERS-covered wages of a covered employer.~~

ITEM 43. Amend rule 495—9.6(97B) as follows:

495—9.6(97B) Refund followed by commencement of disability benefits under Iowa Code section 97B.50(2). If a vested member terminates covered employment, takes a refund, and is subsequently approved for disability under the federal Social Security Act or the federal Railroad Retirement Act, the member may reinstate membership service credit for the period covered by the refund by paying the actuarial cost as determined by IPERS' actuary in 495—subrule 8.1(1) and within 90 days after the date federal social security disability or railroad retirement disability payments begin. Repayments must be made by:

1. For members whose federal social security or railroad retirement disability payments begin before July 1, 2000, within 90 days after July 1, 2000; or
2. For members whose social security or railroad retirement disability payments begin on or after July 1, 2000, within 90 days after the date federal social security or railroad retirement payments begin.

ITEM 44. Amend subrule 11.5(3) as follows:

11.5(3) Bona fide refund. For a member to be eligible for a lump sum refund, the member must terminate the member's covered employment and remain out of employment for 30 days with all covered employers. The 30-day bona fide refund period shall be waived for an elected official covered under Iowa Code section 97B.1A(8) "a"(1), and for a member of the general assembly covered under Iowa Code section 97B.1A(8) "a"(2), when the elected official or legislator notifies IPERS of the intent to terminate IPERS coverage for the elective office and, at the same time, terminates all other IPERS-covered employment prior to the issuance of the refund. Such an official may remain in the elective office and receive an IPERS refund without violating IPERS' bona fide refund rules. If such elected official terminates coverage for the elective office and also terminates all other IPERS-covered employment but is then reemployed in covered employment, and has not received a refund as of the date of hire, the refund shall not be made. Furthermore, if such elected official is reemployed in covered employment, the election to revoke IPERS coverage for the elective position shall remain in effect, and the public official shall not be eligible for new IPERS coverage for such elected position.

The prior election to revoke IPERS coverage for the elected position shall also remain in effect if such elected official is reelected to the same position without an intervening term out of office. The waiver granted in this subrule shall be applicable to such elected officials who were in violation of the prior bona fide refund rules on and after November 1, 2002, when such individuals have not repaid the previously invalid refund.

If a member takes a refund in violation of the bona fide refund requirements of Iowa Code section 97B.53(4), the member ~~shall have 30 days from the date of written notice by IPERS to repay the refund in full without interest. Thereafter, in order to receive service credit for the period covered by the refund, the member shall be required to buy back the period of service at its full actuarial cost.~~ may return the refund during the bona fide retirement period and restore the member's account.

ITEM 45. Amend paragraph **12.4(5)"b"** as follows:

b. The applicable percentage multiplier divided by 30 times the years of regular service credit (if any) times the member's high three-year average prior to July 1, 2012, or the member's high five-year average after June 30, 2012, covered wage minus the applicable wage reduction (if any).

c. If the sum of the percentages obtained exceeds the applicable percentage multiplier for that member, the percentage obtained above for each class of service shall be subject to reduction so that the total shall not exceed the member's applicable percentage multiplier in the order specified in paragraph ~~12.4(3) "c" of this subrule.~~ 12.4(3) "c."

ITEM 46. Amend subrule 12.5(1) as follows:

12.5(1) For each member who is vested prior to July 1, 2012, and is retiring prior to July 1, 2012, with less than four complete years of service, a monthly annuity shall be determined by applying the total reserve as of the effective retirement date (plus any retirement dividends standing to the member's credit on December 31, 1966) to the annuity tables in use by the system according to the member's age (or member's and contingent annuitant's ages, if applicable). If the member's retirement occurs before January 1, 1995, IPERS' revised 6.5 6.50 percent tables shall be used. If the member's retirement occurs after December 31, 1994, IPERS' 6.75 percent tables shall be used. If the member's retirement occurs after December 31, 2009, IPERS' 7.50 percent tables shall be used. If the member's retirement occurs after December 31, 2019, IPERS' 7.00 percent tables shall be used.

ITEM 47. Renumber subrules **14.3(2)** and **14.3(3)** as **14.3(3)** and **14.3(4)**.

ITEM 48. Adopt the following new subrule 14.3(2):

14.3(2) Deceased beneficiary. If a named beneficiary predeceased the member, that beneficiary's share shall be paid to the surviving named beneficiaries in equal shares.

ITEM 49. Amend subrule **16.2(1)**, definition of "Successor alternate payee," as follows:

"*Successor alternate payee*" means a ~~non-spouse~~ person or persons named in a domestic relations order prior to July 1, 2019, to receive the amounts payable to the former spouse alternate payee under the QDRO if the alternate payee dies before the member. Successor alternate payees must be named individuals, not a class of individuals, a trust or an estate.

ITEM 50. Amend subparagraph **16.2(2)"a"(6)** as follows:

(6) Conforms IPERS with IRS reporting requirements for distributions to ~~non-spouse~~ successor alternate payees. The Prior to July 1, 2019, the taxable portion and basis will be prorated to each respective recipient if the payee is the alternate payee. If the payee is a successor alternate payee, the taxable portion and basis will be borne by the member, pursuant to IRC Pub. L. 99-514, 100 Stat. 2085, enacted October 22, 1986. Effective July 1, 2019, a domestic relations order must conform IPERS with IRS reporting requirements for distributions to alternate payees. The taxable portion and basis will be prorated to each respective recipient; and

ITEM 51. Adopt the following new subparagraph **16.2(2)"b"(7)**:

(7) Appoints a successor alternate payee after June 30, 2019.

ITEM 52. Amend subparagraph **16.2(2)"c"(3)** as follows:

(3) Bar a vested member from requesting a refund of the member's accumulated contributions without the alternate payee's written consent. If a member applies for a refund, a consent form will be sent to the alternate payee at the address of record at IPERS. The completed consent form must be received by IPERS within 60 days. If returned undeliverable or no response is received, ~~the alternate payee's member's~~ the member's portion of the refund amount will be payable to the member. If returned marked "no consent," the refund will not be payable to either the member or alternate payee;

ITEM 53. Amend subparagraph **16.2(2)"c"(4)** as follows:

(4) Allow benefits to be paid to an alternate payee based on a period of reemployment for a retired member; ~~and.~~

ITEM 54. Rescind subparagraph **16.2(2)"c"(5)**.

ITEM 55. Amend paragraph **16.2(3)"a"** as follows:

a. IPERS uses the shared payment method for payments under a domestic relations order. IPERS will not create a separate account for the alternate payee or any successor alternate payee(s). Payment to the alternate payee (or successor alternate payee(s)) shall be in a lump sum if the member's benefits

are paid in a lump sum distribution or as monthly payments if the member's benefits are paid under a retirement option. A member shall not be able to receive an actuarial equivalent (AE) under Iowa Code section 97B.48(1) unless the total benefit payable with respect to that member meets the applicable requirements. All divisions of benefits shall be based on the gross amount of monthly or lump sum benefits payable. Federal and state income taxes shall be deducted from the member's and former spouse alternate payee's respective shares and reported under their respective federal tax identification numbers. Unrecovered basis shall be allocated on a pro rata basis to the member and alternate payee. Federal and state income taxes shall be deducted from the member's gross payment when a ~~non~~spouse successor alternate payee(s) receives a payment. Federal and state income taxes shall be reported under the member's federal tax identification number. Unrecovered basis shall be allocated to the member.

ITEM 56. Amend paragraph **16.2(3)“j”** as follows:

j. IPERS has no duty or responsibility to search for alternate payees. Alternate payees must notify IPERS of any change in their mailing addresses. IPERS shall mail the alternate payee an application once an application for a distribution has been received from the member and considered a complete application by IPERS. ~~The application mailed by IPERS to the alternate payee states that, if the alternate payee does not return the application to IPERS within 60 days after the application is mailed by IPERS, the amounts otherwise payable to the alternate payee shall be paid to the member or the member's beneficiary(ies). If the member applied for a refund, and the alternate payee's application is not received within the 60 days, the alternate payee's share of the member's lump sum refund shall be paid to the member. The alternate payee's only recourse shall be with the member. IPERS shall have no liability to the alternate payee or the member with respect to payment of the alternate payee's share to the member. If the member applies for a monthly pension payment, unless and until a valid application for the alternate payee's share of the monthly pension payments is received and accepted by IPERS, IPERS shall have no liability to the alternate payee with respect to payment of monthly amounts, nor will any retroactive payment be made if and when an application is received and accepted. All monthly payments in this case shall be prospective. For monthly benefit applications, the alternate payee is eligible for monthly payments as of the member's first month of entitlement.~~

ITEM 57. Rescind paragraph **16.2(3)“r.”**